

EXCISE

LEE ELMER E.
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ACTION EA-12

INFO OCT-01 ADS-00 AID-07 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-07 SP-02

LAB-04 H-01 SIL-01 STR-09 OMB-01 SS-15 CEA-01

ICAE-00 NSCE-00 SSO-00 INRE-00 OES-09 ACDA-12

DOE-17 NRC-02 IO-14 NTIA-10 NTIE-00 SAS-02 DOE-00/

PA-01 IDCA-02 /153 W

-----014340 101248Z /43

O 100848Z JUN 80

FM AMEMBASSY SEUL

TO SECSTATE WASHDC IMMEDIATE 6933

C O N F I D E N T I A L SECTION 01 OF 03 SEUL 07398

PASS EXIMBANK

E.O. 12065: GDS 06/09/86 (GLEYSTEN, WHILLIAM H.) OR-M

TAGS: EFIN, ECON, KS

SUBJECT: EXIMBANK CHAIRMAN JOHN L. MOORE'S VISIT TO
KOREA JUNE 2-5, 1980

REF: (A) SEUL 7227, (B) SEUL 7261

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: DURING INTENSIVE AND WELL-RECEIVED
VISIT TO KOREA, EXIMBANK CHAIRMAN MOORE PROVIDED TOP
KOREAN OFFICIALS MUCH APPRECIATED ASSURANCES OF
CONTINUED EXIMBANK SUPPORT FOR KOREAN DEVELOPMENT
THROUGH AMERICAN EXPORTS. SENIOR ROYG OFFICIALS
USED THE OPPORTUNITY TO STRESS CONTINUITY OF ECONOMIC
POLICY AND TO DENY ANY MILITARY OVERSIGHT OF POLICY
ECONOMIC AREA. OFFICIALS ACKNOWLEDGED STRAINS IN THE
ECONOMY, AND IN PARTICULAR THAT RECENT EVENTS HAVE ALL
BUT CLOSED KOREA'S ACCESS TO INTERNATIONAL LONG-
TERM EXTERNAL CREDIT IN THE VERY SHORT RUN. MOORE
STRESSED U.S. EXPECTATION THAT NUCLEAR POWER PLANTS
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WILL BE PROCURED BY INTERNATIONAL TENDER, AND
KECO INDICATED THAT BID DOCUMENTS FOR NUCLEAR 9-12
COULD PERHAPS BE ISSUED THIS MONTH. THE TELECOMMUNI-
CATIONS EXPANSION PROGRAM (ESS II) APPEARS TO BE
GOING WELL. END SUMMARY.

3. DURING INTENSIVE THREE DAY VISIT TO KOREA. U.S.
EXIMBANK CHAIRMAN MOORE MET WITH PRIME MINISTER; DPM;
MINISTERS OF FINANCE, ENERGY AND RESOURCES, COMMUNI-
CATIONS, AND COMMERCE AND INDUSTRY; HEADS OF KEKO,
KDB, KEB, BANK OF KOREA, AND KOREA EXIMBANK; AND
CHAIRMAN AND SENIOR EXECUTIVES OF LEADING BUSINESS
FIRMS. KOREAN PRESS COVERAGE WAS LIGHT TO MODERATE.
NEWS REPORTS, LIKE THE ONLY EDITORIAL COMMENT (IN AN
ENGLISH LANGUAGE DAILY), WERE WRITTEN IN WAYS TO
SUGGEST THAT MOORE'S VISIT INDICATED CONTINUED U.S.

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY MR DATE 5/2/81
PORTIONS DENIED AS INDICATED

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ECONOMIC SUPPORT FOR KOREA.

4. ROKG OFFICIALS TOOK ADVANTAGE OF CHAIRMAN MOORE'S VISIT, THE FIRST BY A HIGH-RANKING U.S. OFFICIAL SINCE EXTENSION OF MARTIAL LAW TO THE ENTIRE COUNTRY, TO ENGAGE IN WIDE RANGING DISCUSSIONS ON THE KOREAN ECONOMY, AS WELL AS TO CONFER ON EXIM ACTIVITIES. SENIOR OFFICIALS WERE FRANK ABOUT CURRENT STRAINS ON THE ECONOMY AND ACKNOWLEDGED THAT THE UPHEAVALS OF RECENT WEEKS HAVE ADVERSELY AFFECTED TRADE AND KOREA'S ABILITY TO BORROW ABROAD OVER THE SHORT RUN. THE MINISTER OF FINANCE LAMENTED THAT HE HAS BEEN HESTEGED SINCE ENTERING OFFICE BY BUSINESSMEN SEEKING RELIEF FROM TIGHT CREDIT CONDITIONS. THE PRIME MINISTER NOTED THAT IN A MOSTLY GLOOMY PICTURE, HOWEVER, THERE WERE SOME ENCOURAGING INDICATORS; FIRST QUARTER GNP, FOR EXAMPLE, WAS UP 4 OR 5 PERCENT FROM 4TH QUARTER 1979.

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5. IN DISCUSSIONS OF ECONOMIC POLICY, THE EMPHASIS WAS ON CONTINUITY. THE DPM CHARACTERIZED THE STIMULUS PACKAGE SUBSEQUENTLY ANNOUNCED JUNE 5 (REF A) AS A MODERATE ADJUSTMENT WITHIN THE CONTEXT OF CONTINUING STABILIZATION PROGRAM.

b-1, Eb

6. REGARDING KOREA'S CREDIT RATING, HOWEVER, THE KEY OFFICIALS ADMITTED THAT POLITICAL EVENTS HAD PUT A HOLD ON KOREA'S ABILITY TO RAISE LONG-TERM CAPITAL ABROAD. THE MINISTER AND ASSISTANT MINISTER OF FINANCE SAID THAT KOREA PLANNED TO TAKE A BORROWING VACATION THIS SUMMER.

INT UNREST,

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AMERICAN BANKERS
WHO MET WITH MOORE AGREED THAT KOREA WILL HAVE
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GREAT DIFFICULTY IN ARRANGING LONG OR MEDIUM TERM
BANK TO BANK LOANS DURING THE NEXT SEVERAL MONTHS.

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LAB-04 H-01 SIL-01 STR-09 OMF-01 SS-15 CEA-01
ICAE-00 NSCE-00 SSO-00 INRE-00 OES-09 ACDA-12
DOE-17 NRC-02 IO-14 NTIA-10 NTIE-00 SAS-02 PA-01
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7. MOORE WAS ASKED FREQUENTLY ABOUT EXIM'S CREDIT POLICIES AND ANY CEILINGS ON ITS ABILITY TO LEND. ALL OF EXIM'S KOREAN CLIENTS APPEARED PLEASED BY HIS WARM ASSURANCE OF CONTINUED FINANCIAL SUPPORT. MOORE INFORMED THEM, HOWEVER, THAT DUE TO THE HIGHER BORROWING COSTS, THE COST OF EXIM FINANCING WILL BE HIGHER THIS YEAR THAN LAST, ABOUT 9.25 TO 9.5 PERCENT FOR NEW PROJECTS, INCLUDING FEES AND AVERAGING IN PRIVATE FINANCING GUARANTEED BY EXIM. TERMS AND RATES WILL BE NEGOTIABLE, HE ADDED, AND EXIM WILL BE COMPETITIVE. MOORE RELATED U.S. EFFORTS TO PERSUADE OFFICIAL EXPORT CREDIT AGENCIES TO RAISE STANDARD INTEREST RATES, WHICH HAS RESULTED IN AN INTERIM MODIFICATION OF THE EXPORT CREDIT CONSENSUS TO INCREASE RATES TO LDC'S BY 25 BASIS POINTS FROM JULY 1980. HE MADE A PITCH FOR KOREA EXIM SUPPORT

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IN THIS ENDEAVOR, SINCE KOREA EXIMBANK ALSO FACES AN ADVERSE SPREAD BETWEEN THE COST OF FOREIGN EXCHANGE TO IT AND COMPETITIVE RATES ON SHIP EXPORTS, THE PRINCIPAL TRADE ITEM IT FINANCES. KOREAN CLIENTS, PARTICULARLY KECO, SOUGHT REASSURANCE THAT EXIM COULD MEET THEIR NEEDS. MOORE DESCRIBED THE METHODS EXIM HAS ADOPTED TO HANDLE THE SURGE IN CREDIT DEMAND THIS YEAR (SEVEN BILLION DOLLARS, VERSUS THE NORMAL FOUR BILLION DOLLARS), PRIMARILY BY SPREADING LARGE AIRCRAFT CREDITS OVER SEVERAL FISCAL YEARS.

8. IN THE REALM OF SPECIFIC EXIM BUSINESS DISCUSSED, NUCLEAR POWER HELD CENTER STAGE. MOORE STRESSED TO DPM AND OTHERS THE IMPORTANCE OF PROCUREMENT THROUGH INTERNATIONAL COMPETITIVE BIDDING. KECO

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PRESIDENT KIM SAID THAT KECO INTENDED TO KEEP ITS NUCLEAR POWER PLANT PROGRAM ON SCHEDULE, BUT TO CUT BACK ON PLANNED NEW THERMAL PLANTS. HE ESTIMATED THAT BIDS FOR NUCLEAR 9-12 WOULD PROBABLY BE ANNOUNCED THIS MONTH, WITH AWARDS GIVEN LATE THIS YEAR; BIDDING ON THE NEXT TWO NUCLEAR PLANTS WOULD COME EARLY IN 1981. (LATER IN THE DAY, ASSISTANT MINISTER OF ENERGY LEE BONG SUH (M-R: YI PONG-SO) INDICATED THAT THE ROKG HAD NOT DECIDED ON LINKAGE AMONG THE FOUR, BUT BIDDERS MIGHT HAVE THE OPTIONS OF SUBMITTING THREE PACKAGES, I.E. NUCLEAR 9-10, 11-12, AND 9-12.) AT THIS TIME, KIM SAID, KECO IS TENTATIVELY PREPARING BIDS FOR PRESSURIZED WATER REACTORS (PWR) ONLY (THIS DISPOSITION WOULD ELIMINATE GENERAL ELECTRIC'S BOILING WATER SYSTEM FROM CONTENTION.). MOORE SAID EXIM WOULD BE PREPARED TO SUPPORT G.E., ALTHOUGH HE UNDERSTOOD KECO'S REASONS FOR DESIRING TO LIMIT THE NUMBER OF DISTINCT TYPES

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OF REACTORS IN KOREA. REGARDING FINANCING, MOORE OUTLINED EXIM'S NEW STANDARD TERMS, WHICH ADD UP TO 9.25 PERCENT, COMPARED WITH 8.25 PERCENT FOR NUCLEAR 7 AND 8. QUERIED ABOUT THE FRENCH OFFER, KECO PRESIDENT KIM DENIED RECEIVING ANY OFFICIAL FRENCH PROPOSAL, BUT REVEALED THAT THEY PROMISED TO IMPROVE ON THEIR NUCLEAR 7 AND 8 OFFER, PERHAPS BY DEFERRING INTEREST PAYMENTS DURING CONSTRUCTION, OR EXTENDING TERMS TO 18 YEARS. MOORE REITERATED TO KECO, AND LATER TO MINISTRY OF ENERGY OFFICIALS, THAT HE THOUGHT EXIM FINANCING WOULD BE COMPETITIVE WITH FRENCH LATER THIS YEAR, IF NOT NOW, AS COMMERCIAL INTEREST RATES DROP IN THE U.S. KIM RAISED TWO FURTHER MATTERS FOR EXIM CONSIDERATION: (1) 23-MILLION DOLLARS ADDITIONAL FINANCING FOR NUCLEAR 2 FOR POST-TMI SAFETY EQUIPMENT AND COST OVERRUNS (MER SEPARATELY GIVE FIGURE AS 30-MILLION DOLLARS); AND (2) PROBLEMS CONNECTED WITH FINANCING KECO'S 15 PERCENT OF NUCLEAR 7 AND 8 (\$200-MILLION). 9. THE TELECOMMUNICATIONS EXPANSION PROJECT (ESS II, ETC.) APPEARS TO BE GOING WELL. THE MINISTER OF COMMUNICATIONS SAID THAT THE ROKG WILL BE READY TO SIGN THE INITIAL CREDIT WITH EXIM TOWARD THE END OF JUNE AND CONTRACTS WITH WESTERN ELECTRIC BY JULY 15. MINISTRY OFFICIALS SAID THEY ARE EXTREMELY PLEASED WITH WESTERN ELECTRIC, AND LUCKY GROUP (GOLD STAR) EXECUTIVES APPEARED TO BE ENTHUSIASTIC OVER THEIR PROSPECTIVE PARTNERSHIP WITH WESTERN ELECTRIC FOR LOCAL MANUFACTURING OF EQUIPMENT. THE MINISTRY PUT MOORE ON NOTICE THAT IT WILL REQUEST ANOTHER \$600-MILLION DOLLARS FROM EXIM NEXT YEAR.

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10. A NUMBER OF FURTHER ISSUES WERE RAISED BY BOTH
SIDES. KOREA EXIM PROPOSED CO-FINANCING OF KOREAN
SHIP EXPORTS THAT INCORPORATE U.S. ENGINES OR OTHER
SOPHISTICATED PARTS. MOORE EXPRESSED POSSIBLE INTEREST.

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AND SUGGESTED OTHER MEANS KOREA EXIM COULD EXPLORE

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LAB-04 H-01 SIL-01 STR-09 OMB-01 SS-15 CEA-01
ICAE-00 NSCE-00 SSO-00 IARE-00 OES-09 ACTA-12
DOE-17 NRC-02 IO-14 NTIA-10 NTIE-00 SAS-02 DOE-00/
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TO MEET DEMAND FOR EXPORT CREDIT, SUCH AS SUBSIDIZING
COMMERCIAL BORROWING BY THE IMPORTER. TONG YANG
CEMENT NOTIFIED MOCRE THAT IT WILL POSTPONE ITS 6TH
EXPANSION FOR TWO TO THREE YEARS, AND WISHED TO
CANCEL THE CREDIT AGREEMENT ALREADY SIGNED. THESE
MATTERS WILL BE COVERED IN MEMCONS BEING FORWARDED
TO WASHINGTON AGENCIES.

11. THIS MESSAGE WAS DRAFTED SUBSEQUENT TO CHAIRMAN
MOORE'S DEPARTURE FROM SEOUL. GLEYSTEEN

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